



IMPACT OF MICROFINANCE SERVICES ON SOCIAL EMPOWERMENT OF WOMEN

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Abstract

Nepal is an underdeveloped country and the access of women to financial resource is very low. Central Bank of Nepal adopted the policy of micro financing to the females who have poor access to financial resources and expected to increase in social empowerment of women. Thus, this study is aiming to examine the effect of microfinance services in social empowerment of women. The study considered, credit facility, saving facility and training facility as microfinance services because these are the major services provided by Nepalese microfinance companies and freedom in decision making and freedom in mobility were considered as social empowerment variables. This study covered the women who have already involved in the micro finance activities. Almost 1500 females were involved in microfinance activities within study area. 150 females were taken as sample for the study purpose. Structure 5 point likert scale questionnaire have been developed and administered for the collection of data. As the study tried to examine the relationship between microfinance services and social empowerment of women so the study adopted correlation analysis and regression models for the analysis of data. The major finding of the study is all the microfinance services significantly enhances the social empowerment of women in Nepal.

Key Words: *Social empowerment, Microfinance, freedom in decision making and freedom in mobility*

Introduction

Microfinance is an important tool for elevating the living standards of people in countries like Nepal. Big proportion of women is retrograde. In the financial sector of Nepal microfinance is not a new phenomenon. With greater competition, most microfinance companies are trying to broaden their consumer base by means of different strategies. As a result, more disadvantaged people have attracted companies to provide them with valuable financial and non-financial resources to get out of the vicious poverty loop. Through this process, microfinance institutions effectively tackle marginalized community needs that the traditional financial system does not recognize, such as female entrepreneurs (Agarwal, 2016). Microfinance enterprises in developing countries have taken on the challenge of empowering women with an emphasis on

economic and social development. Microfinance acts as a platform for rising women's economic disparities and social inequalities. Microfinance aims to boost women's social status, such as mobility in society for community formation, independence in decision-making and growth of self-confidence. The core objective of microfinance is to alleviate poverty and empower its beneficiaries, especially women, through financial and social services such as microcredit, savings, insurance, training, social mobility, decision-making independence and respect from the society (Alshami, 2016). Governments and development agencies fund microfinance as effective steps to tackle poverty. In particular, women who are disadvantaged groups do not have adequate financial support to run small businesses and to make the financial and social position strong from big financial institutions. They are also lacking access to convenience, and adequate financial services. Many women are still confined to their homes, and face social problems. Micro Finance has been widely known as a tool for empowering the vulnerable community, especially, women in society. A hypothesis emerging from this account is that microfinance would lead to solving the problems of women within household practices as an integral part of the social empowerment framework (Agarwal, 2016).

Micro-finance business needs to emphasize micro-saving and preparation. Most of the microfinance programs were credit-led in the form of training and mentoring for practical support, with little focus on social empowerment issues, hence the poor performance of some micro initiatives. Consequently, they want to obtain social intervention and social empowerment for the deprived community, particularly women, since the population of women in Nepal is 51.8 per cent (CBA, 2011). The system of social empowerment is essential for making microfinance operations more successful in the market as well.

Agyekum (2015) examined the psychological aspect of women's empowerment as well as the empowerment of households / individuals. Empirical findings at the higher regional and national levels present a lack of knowledge. To date, studies have concentrated primarily on high-level political and legal aspects, while the personal, social and economic aspects are usually at the individual or household level. Microfinance helps women generate savings, create opportunities for self-employment, develop micro-enterprises, boost income levels, build self-confidence, increase mobility, and independently take important decisions. While women contribute to the national income of the country, and help family and society, this growth remains sustainable. Shrestha (2007) believes that microfinance is one of the powerful tools for identifying poor and disadvantaged communities and addressing poverty by providing incentives to generate income, job opportunities and capacity-building opportunities for the elderly, disabled, Dalits, marginalized and needy who assist them in social empowerment.

In addition to defining the difficulties they face in achieving financial sustainability, the Nepalese Scenario attempted to explore the degree of access provided by the formal and semi-formal microfinance institutions / programs, and the generation of employment opportunities. Given the growing need for microfinance services in terms of both quantity and scale, Nepal Rastra Bank, Nepal's central bank, needs to enhance its capacity to control, supervise and track large numbers of MFIs, as well as develop innovative and efficient credit / regulation policies that would create an atmosphere for MFIs to expand and achieve sound financial position. Some of the government's desired roles demonstrate firm commitment to poverty alleviation through action, halt direct involvement in running and managing MFIs, halt ownership of MFIs, and hand over existing owned shares of these institutions to the private sector through

relevant, and transparent mechanisms (Sharma 2003). Women empowerment has been a global problem, as women are marginalized and have been operating under the rule of men since time immemorial. Women empowerment and gender equality are identified as components of the fight of the World Bank against poverty-related issues, leading a country to growth, and supporting a country's good governance (Ekpe, 2013). Consensus with the global trend, empowerment of women has been a big impediment even in the Nepalese sense.

Women in Nepal are deeply active in agricultural activities that constitute over half of the country's population. They are also deprived of economic resources, such as land, incomes, education, and other services. Besides this, in terms of their socio-economic status, Nepalese women are still underprivileged and oppressed in the development process, and the need for their advancement has been rising in many nations. The programs have now been developed by many national and international organizations to enable them to become aware of their condition and to achieve economic and social freedom. The availability of credit is seen as one of the potential ways to boost their economic status. Many developed as well as developing countries realized that a nation can not expand without empowering women, so that women's empowerment becomes a global issue at present. Economic empowerment of women is not sustainable but social empowerment of women provides imputes to sustainable empowerment of women. Hence this study aims to examine the effect of microfinance services on women's economic empowerment.

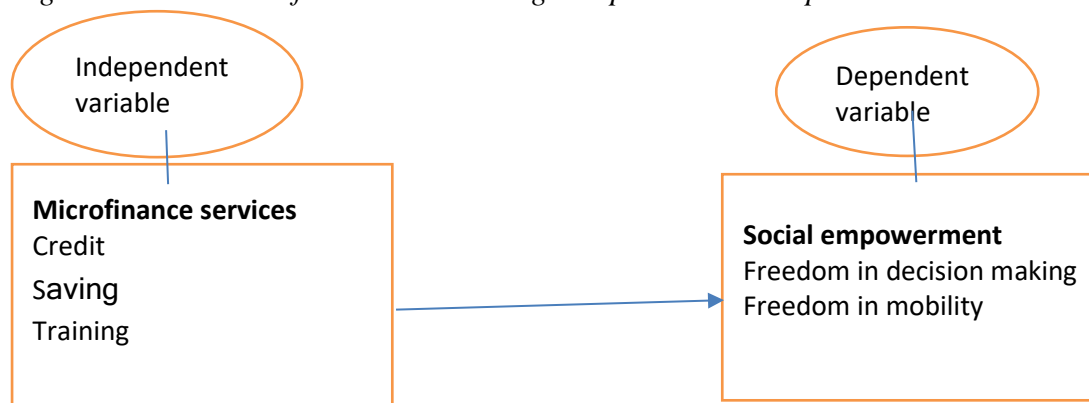
Social Dimensions of Women Empowerment through Microfinance

Microfinance, unlike other organizations, serves as a link between monetary-world and non-monetary world. Microfinance is independent from traditional banking industry. Microfinance is not only concerned with improving the financial backbone, but covers economic, social and political aspects that have positive impacts on borrowers. It helps get oppressed community of women together in a network of organized groupings. However, they face many obstacles to socio-culture, illiteracy and financial difficulties.

The women have historically been overlooked. Women are seldom financially stable participants of family and society, and are more vulnerable. Approximately 70% of the world's poor are women, and they do not have access to credit and other financial services. Microfinance thus also targets women (Arora, 2011). Access to financial services will empower women to become more optimistic, more assertive, more likely to take part in family and community decisions, and better able to address structural gender inequities (Hashemi, 1996). The factors that determined women's empowerment through microfinance were three factors i.e. freedom in decision taking, freedom of movement and family support. Once women get greater control over their lives and their children's lives, living conditions begin to change. These researchers argue that this is so because women are best suited to use household income to boost their children and family's nutrition, wellbeing, and educational opportunities (Cheston & Kuhn, 2002). Access to credit and business training has allowed women to grow and develop their businesses, contributing to increased decision-making power and gaining them respect in the home and community. Besides financial intermediation, many MFIs provide social intermediation services, such as community forming, self-confidence growth, and financial literacy and management skills training among group members. Therefore, financial and social intermediation are also included in the concept of microfinance (Rashid, Consolatta & Stephen, 2015).

Sharma (2012) notes that there was a significant gender disparity in youth literacy and adult literacy rates. This study clearly showed that women were lagging behind in education because of women's gender discrimination, health, employment and equal rights, and developed a 'empowerment index' focused on mobility, economic protection, ability to make small and large transactions, participation in major household decisions, relative freedom from family control, political and legal knowledge, and political campaigns. In terms of income-generating activities, women's mobility increases but the social stigma of women's mobility persists (Pokhreyal, 2014). Social empowerment focuses on women's freedom of movement, confidence, self-reliance, securing a better level of education for her and her family members, and finally involvement in local issues (Alshebami, 2015). Microfinance's social impact has been measured on the basis of: self-confidence and self-esteem, interpersonal abilities and the willingness of entrepreneurs to develop connections (Naeem, 2015). Most of the women entrepreneurs reported that their involvement in business through microfinance improved their standard of living, increased self-confidence and gained support from their husband as husbands seem satisfied with their business performance (Sultana, 2012). It was stated in the Banerjee study (2015) that micro-finance clients did not show changes in health, education or empowerment for women. Rehman (2015) also stated that there is a poor positive relationship between micro-finance activities and rural women empowerment. It is revealed that microfinance can empower women by giving them the least impact on decision-making authority. There is an effect on women's decision-making power in household and business-related issues, family and social relationships, freedom of mobility and education and freedom of household goods purchase and women's financial decision after participating in microfinance activities. Based on the findings of various researchers, following theoretical framework has been developed:

Figure 1. Theoretical framework showing independent and dependent variables



Source: Researcher's construct using the idea of, Sooriyakumaran(2016).

Research Design

Correlational design was used to analyze the relationship between microfinance facilities and social empowerment of women. The field of study was Kirtipur Municipality. Data was obtained using standardized 5-point Likert scale questionnaires. The women of Kirtipur municipality, who started or expanded their business through the help of microfinance has considered as population. As per an interview with the manager of Swabalambans Microfinance, there are 1500 women clients who started their business through the help of credit from the microfinance. 150 sample unit is taken as per the roscoe (1975)"s suggestion

i.e. sample size can be calculated taking 30 samples from each group. This study include five groups based on demographic variables so 150 sample size has been calculated and reported as appropriate for further analysis. The study examined the relationship between the microfinance services and women’s social empowerment. The data were analyzed using correlation matrix, and regression model. Before using regression model its assumptions were proved using multicollinearity test, heterocedasticity test and normality test using Kolmogorov- Smirnova test. Reliability were tested using Cornbach alpha test and validity was attempted using pilot survey. After the pilot survey, questions used in questionnaire were simplified.

Reliability analysis

Using Cronbach's alpha, reliability of all scales was analysed. The reliability score for variables in microfinance services (credit; 0.72, saving; 0.83, training; 0.70) and social empowerment factors(Freedom in decision making; 0.66, and Freedom in mobility;0.75) has been compared and found to be consistent with the existing pre-existing estimates. The Alpha values are greater than Kervin's (1992) claim.

1. Test of assumption of regression model

Regression model can be used to evaluate the hypotheses of perceptual data if the data is normally distributed, there is no multicollinearity, and linearity exists (Sheehan, Cooper, Holland and Cieri; 2007). Burns and Burns (2008) indicated that linearity, normality and multicollinearity testing is important if data analysis is to be based on a regression model. This research therefore checks regression assumptions before seeing the connection between individual microfinance services and social empowerment of women.

2. Test of Multicollinearity

Table 1. Test of multicollinearity regressing microfinance services and social empowerment of women using collinearity statistics

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	3.934	.192		20.522	.000		
Credit	.023	.045	.024	.508	.612	.878	1.139
Saving	.028	.048	.038	.590	.556	.490	2.043
Training	-.120	.035	-.218	-3.442	.001	.496	2.016

a. Dependent Variable: productivity

According to Burns and Burns (2008), if the VIF value is less than 5, it is presumed that independent variables are not strongly associated to each other. It implies multicollinearity does not exist. It can be argued that no effect of multicollinearity on the results can be seen when regressing microfinance services with dependent variable ‘social empowerment’.

3. Test of heteroscedasticity

Burns and Burns (2008) proposed that data should be distributed homogeneously for predicting the effect of independent variables on dependent variables using regression model. Sheehan, et al. (2007) argued that heteroscedasticity testing is important for hypothesis testing using regression model. This study tested the heteroscedasticity by using regression between errors of microfinance services and social empowerment of women.

Table 2. Test of heteroscedasticity using regression (p-values)

Independent / Dependent variables	Freedom in decision making	Freedom in mobility
Credit	.999	.058
Saving	.998	.771
Training	.999	.975

The errors of different microfinance services and social empowerment of women were regressed but errors are considered to be negligible. Therefore, it can be inferred that there is no heteroscedasticity problem with the data used in analysis, because they are distributed randomly. Heteroscedasticity was tested using a correlation of Spearman ranks.

4. Test of normality

The normality of data is one of the main premises of regression model. Burns and Burns (2008) argued that the normality of the collected data is necessary if the independent variables are to provide a successful prediction of dependent variable. Sheehan, et al. (2007) argue that testing of data normality is important for testing the regression model hypothesis. Data normality can be verified by scattergraphs and histograms, and measuring Kolmogorov –Smirnova. In this analysis, data normality was checked using the Kolmogorov–Smirnova test using version Spss 20. The test results are given in Table 3.

Table 3. Test of Normality using Kolmogorov– Smirnova Test

	Kolmogorov–Smirnov ^a		
	Statistic	Df	Sig.
Credit	.075	148	.065
Saving	.075	148	.0921
Training	.071	148	.632
Freedom in decision making	.065	148	.855
Freedom in mobility	.065	148	.077

Table 3 reveals that all variables at 5 per cent level of significance are negligible. It accepts null hypothesis, that is to say data is normal. Therefore, it is assumed that the data is normally distributed and that parametric testing can be used in the usual distribution of these data.

Analysis

Association between microfinance services and freedom in Decision making

Within this section, the right of women to decide on household and business issues was examined. In this aspect, women were asked to provide details about who makes the decision of the household and company in which processes their freedom to make decisions. We will decide themselves or what about the situation in the family in the decision making after involving in MFIs.

Table 4. Associations between microfinance services with decision making

Pearson correlation	Credit facility	Savings facility	Training facility	Freedom in decision making
Credit facility Sig. (2-tailed)	1			
Savings facility Sig. (2-tailed)	0.567** 0.000	1		
Training facility Sig. (2-tailed)	0.409** 0.000	0.571** 0.000	1	
Freedom in Decision making Sig. (2-tailed)	0.408** 0.000	0.342** 0.000	0.356** 0.000	1

***. Correlation is significant at the 0.01 level (2-tailed).* **Correlation is significant at 0.05 level (2-tailed).*

This can be seen from Table 4, that there is a significant relationship between credit facility, savings facility, training facility ($r=0.408$, $p<0.000$, $r=0.342$, $p<0.000$, $r=0.356$, $p<0.000$) and freedom in decision making. This means that women's increased credit, saving facility, and women's training contribute to increased independence in women's decision-making. Correlation values indicate it is correlated at 1 percent level of significance, suggesting a strong positive correlation between them. It was found that these correlation coefficients were statistically important with p values at confidence level of 95 per cent. Many women were interested in household and other business decisions after participation in microfinance. This

can be so because they learned skills through training and they also have financial capital so that family members even consider them as an significant family member.

Table 5. Regression analysis of microfinance service (credit, saving and training) with freedom in decision making

Model	R	R Square	Adjusted R square	Std. Error of the Estimate
1	0.460 ^a	0.212	0.196	0.25045

a. Predictors: (Constant), average of training, average of credit, average of savings

Table 5 reveals a 0.212 for R². It means that 21.2 per cent variability of decision-making independence can be explained by independent variables (credit, savings and training).

Table 6. Coefficient of microfinance service (credit, savings and training) and freedom in decision making

Model		Unstandardized coefficients	T	Sig.
		B		
1	(Constant)	2.000	5.426	.000
	Credit facility	.292	3.227	.002
	Savings facility	.044	.630	.030
	Training facility	.193	2.234	.027

a. Dependent Variable: Freedom in decision making

Although the independence of decision-making with microfinance services is regressed, all coefficients are found to be statistically relevant at 5 per cent level of significance. It means training facility that stimulates women's decision-making capacity and trust, saving provides women's access to finance, and credit facility leverages their income enabling them to start up or grow their existing business. All these practices are forced family members to include women in decision-making as well they can take few separate personal and business decisions.

Freedom in Mobility

A further aspect of women's social empowerment by microfinance is independence of mobility. Women were asked to assess freedom of mobility on the five dimensions; these included visiting locations, visiting the household / business purchasing market, meeting stakeholders, attending business-related seminars / programs and attending MFIs, ceremonies and meetings. The findings will be analysed as follows:

Table 7. Association between microfinance services with mobility

Pearson correlation	Credit facility	Savings facility	Training facility	Freedom in Mobility
Credit facility Sig. (2-tailed)	1			
Savings facility Sig. (2-tailed)	0.567** 0.000	1		
Training facility Sig. (2-tailed)	0.409** 0.000	0.571** 0.000	1	
Freedom in Mobility Sig. (2-tailed)	0.527** 0.000	0.843** 0.000	0.726** 0.000	1

***. Correlation is significant at the 0.01 level (2-tailed).* **Correlation is significant at 0.05 level (2-tailed).*

This can be shown from Table 7 that there is a strong link between the credit facility, savings facility, training facility ($r=0.527$, $p<0.000$, $r=0.843$, $p<0.000$, and $r=0.726$, $p<0.000$) with freedom in mobility. All independent variables are statistically significant at the 1 per cent level of significance. This means a rise in women's income, savings and training enhances mobility of women.

Table 8. Regression analysis of microfinance service (credit, saving and training) with mobility

Model	R	R Square	Adjusted R square	Std. Error of the Estimate
1	0.894 ^a	0.799	0.795	0.13082

a. Predictors: (Constant), training, credit, savings

Table 8 illustrates $R^2=0.799$. It means that 79.9 per cent of the freedom in mobility variance was explained by independent variables (credit, savings and training).

Table 9. Coefficient of microfinance service (credit, savings and training) and freedom in mobility

Model		Unstandardized coefficients	T	Sig.
		B		
1	(Constant)	0.668	3.471	.001
	Credit facility	.029	.614	.005
	Savings facility	.452	12.337	.000
	Training	.332	4.443	.002

Dependent Variable: Freedom in mobility

Although the microfinance services predict the freedom of mobility, all the coefficients are found to be statistically relevant at 5 per cent level. It means training facility that stimulates women's decision- capacity and trust, saving provides women's access to finance, and credit facility leverages their income enabling them to start up or grow their existing business. All of these events create confidence in women and family members so that women can move on to conferences, services, stakeholder meetings, etc.

Discussions and conclusion

MFIs provided women with the ability to set up their own company and raise revenue to contribute and sustain their families, thus increasing their position in decision-making. Study findings revealed that decisions were made in majority about household and company. The research had also emerged that family members jointly take household and company decisions. Women's contribution to reinforcing the status of women within the household and their role in decision making increased. The institutions of microfinance will provide training for women to develop their business activities. The conclusion that microfinance service has a substantial effect on women's decision-making abilities. The research results showed that the family and social relationship strengthened after they had borrowed from microfinance relative to prior to borrowing from microfinance.

However, the results support the argument that women nowadays have the right to go anywhere and even on their own. Women are not limited to traveling by family members as long as the reasons are well understood in advance. This result supports the "improvement of mobility through involvement in the micro-financing system." This result is in line with past results of the study. Participation in microfinance programs enable women be more able to travel. They have seemed to be increasingly comfortable in sharing their opinions as they attend various business-related seminars / programs. This is backed by an Al-shami report, 2016; Shakya, 2016, and sharma, 2012. This may be so because the participation of women in microfinance is growing and they have been able to increase their income as well as the confidence level of the individual female and the increase in level of trust of the family members. As a result, females are gaining more versatility in visiting various places not only in Nepal but also around the world for the different activities.

The result of this study shows that women's decision taking is improved by the microfinance facilities. The finding is consistent with Sooriyakumaran's results, 2016; Hasemi, 1996; Naeem, 2015; Poudyal, 2005; and Thapa, 2006. The results are consistent because the training facility stimulates women's decision-making capacity and trust, saving provides women's access to capital, and credit facility leverages their income enabling them to start up or extend their existing business. Both these practices are required to include family members in all women's decision-making as well as women may make few independent family and business decisions.

Implications

The microfinance organization can find this research useful in shaping their future plans in empowering women. The key consequences of this study are:

Managerial implications

This research identified important women's empowerment factors in Nepal. Nepal's government should devise women's empowerment policies taking certain factors into account. This study can be considered by local government bodies as recommendations for shaping their women's empowerment and poverty alleviation strategies and policies to a large extent. This research can be of interest to the NGOs operating in the women's sector to gain an overview of women's economic power and shape their strategies and policies. This study can be of benefit to family members in supporting their female members.

Future research implications

Different researches may also be performed by adding more variables such as variables mediating, moderating and or intervening. Future researchers can take a larger sample and conduct the research to substantiate the findings of this study. The study has only considered the economic and social dimensions of empowerment for women, but there are many other aspects of empowerment for women, such as health, politics and psychology, that potential studies might include for further analysis. This study can be conducted as a benchmark research to assess the extent at which the MFIs have been able to empower women in other districts of the country, the findings of which should be compared with those of this study in order to create the relationship between micro-finance intervention and empowerment of women entrepreneurs using various micro-finance intervention variables.

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